Why Does the Federal Poverty Level Matter in SCHIP?

It has long been acknowledged by the general public and state & federal governments that different regions in the United States have significantly different standards and cost of living. That's why state's must have the flexibility to set eligibility for Healthy Families at levels up to 300% of the federal poverty level (FPL). The fact is that different areas of the country have different costs of living, and California is at the top of those costs.

The federal government already recognizes that California has a high cost of living, as demonstrated by the fact that the federal Office of Personnel Management (OPM) adjusts salaries to a higher level in California than other states. Of the top ten "locality pay adjustments" offered by OPM, three are in California, with the largest increase in pay for federal employees anywhere in the country going to those working in the Bay Area.

Other analyses offer the same insight. According to data from readily available cost-of-living calculators presented below, regardless of city size, Californians at 200% of the FPL are worse off than similar individuals in other states. For instance, a family of four at 200% FPL in Atlanta, GA would need a 75% increase in salary to maintain the same standard of living if they moved to San Francisco. A family at 300% FPL in San Francisco ($61,950 for a family of four in 2007) would have a lower standard of living than a family at 200% FPL in Atlanta. California needs the flexibility to decide its coverage level.

What does it mean to be at 200% FPL in California?

(200% FPL for a Family of Four in 2007 = $41,300/year)

Large/Urban Cities:

If you made $41,300/year in:	Then you need the following salary to maintain the same standard of living in *San Francisco, CA*	Percent Difference
Atlanta, GA	$72,399	75%
Washington DC	$50,013	21%

Mid-Size Cities:

If you made $41,300/year in:	Then you need the following salary to maintain the same standard of living in *Sacramento, CA*	Percent Difference
Des Moines, IA	$55,159	34%
Austin, TX	$52,679	28%

Small Cities:

If you made $41,300/year in:	Then you need the following salary to maintain the same standard of living in *Bakersfield, CA*	Percent Difference
Tuscaloosa, AL	$47,508	15%
Asheville, NC	$45,068	9%

Source: CNN.com, downloaded July 2007.

FPL in the Context of SCHIP
While the current SCHIP statute targets families with incomes up to 200 percent of the FPL, it also gives states the flexibility to set income eligibility levels as they see fit. In fact, eighteen states currently have income eligibility thresholds in SCHIP above 200 percent of the FPL, and an additional 16 states have income eligibility levels set at 200 percent of the FPL but apply income exemptions or deductions (for example, for work-related expenses) that allow them to effectively cover some children in families with incomes above 200 percent of the FPL. If the President's proposal is enacted, more than half of the states, including California, would be required to modify their programs and potentially disenroll thousands of children.

However, the SCHIP program is up for federal reauthorization. An important issue being discussed in the reauthorization debate is the possibility of placing an explicit income limit on the populations that can be covered with SCHIP funds. President Bush's budget and some members of Congress have called for SCHIP to "refocus" its funding on children with incomes at or below 200 percent of the FPL.

The President's policy would significantly disadvantage California. Today, California covers about 190,000 children with family incomes between 200 percent and 250 percent of the FPL. The President's preferred policy puts coverage of these children at risk. In California, 250 percent of the FPL may be a much more appropriate definition of "low-income," as shown in the cost of living comparison above.

Source: Peter Harbage, Jen Ryan, Lisa Chen, "The Future of California's SCHIP Program: Analyzing the Proposed Federal Legislation," California HealthCare Foundation, July 2007.